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24 February 1953

Memorandum for: The Director

subject: Senate Investigating Committee's
Investigation of Certain Aspects of
Foreign Trade.

1. The Senate Investigating Subcommittee of the Committee on Government Operations, headed by Senator McCarthy, plans to investigate certain aspects of foreign trade. They propose to limit this investigation to the China trade and related shipping problems, particularly those involving the Greek shipping cartel.

2. The staff of the Subcommittee has held a meeting with Mr. Kenneth Hansen, Acting Deputy Administrator for Mutual Defense Control in the Office of the Director for Mutual Security and Chairman of the EDAC Steering Group. The staff pointed out that they were interested in the maritime administration aspects of the China shipping problem in so far as there were loans outstanding on various ships in that trade which were flying Greek, Panamanian and other flags. In connection with the Greek shipping cartel tie up, they wish to look into the relationships of the groups headed by Niarchos, Onassis and Lavanos.

3. In addition to the above, the Committee desires classified and unclassified information regarding all vessels which during 1951 and 1952 touched the Communist Chinese and North Korean ports, including the Treaty Ports, together with the dates, ports of entry, cargo ownership and flag, and also including any pictures taken of such vessels on the high seas, in China waters or in the ports themselves. This latter request has also been passed on to the Defense Department for handling.

4. Rather than have the Committee staff and members running through the individual agencies concerned in this work, Mr. Hansen has suggested an arrangement which appears to be acceptable whereby all requests for this material and the replies thereto be coordinated through EDAC and his office. He will then forward to the Committee the information supplied in reply to Committee requests but will leave to each individual agency the problem of classification of forwarded

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material and the holding back of specific information.

5. It is obvious from the above that much information which would be forwarded by EDAC from State, Defense, Commerce and the Mutual Security Agency itself must be founded upon CIA sources,

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[REDACTED] This presents an important security problem not only because of the lack of clearance of some members of the Committee staff but also because of the unpredictability of some of the Committee members, and in particular Senator McCarthy himself. While it is agreed that the Committee is to respect classifications and to hold preliminary hearings in Executive Session, subsequent sessions will be made public, and we have no guarantee as to the maintenance of security if it should appear to be politically expedient to call public attention to certain aspects of this work.

6. While Mr. Stassen is planning to do all in his power to protect sensitive information, it is felt that this entire matter should be drawn to the attention of the National Security Council in view of their directive to CIA regarding the release of classified information, as well as the international policy decisions involved. Among the particu-

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[REDACTED] In addition, there is some thought that the Committee may get into the problem of smuggling in the Ryukyus and the question of which ships are carrying rubber from Ceylon to China.

7. In addition to the McCarthy Committee investigation, the Senate Interstate & Foreign Commerce Committee, headed by Senator Tobey, is also looking into "the duties and responsibilities of the Department of Commerce in the field of foreign commerce and international trade, including a reappraisal of the effectiveness of measures and efforts instituted by Government agencies to control the shipment or transshipment of exported materials to foreign countries." While there is some indication that their initial investigation may be channeled solely towards Germany and East-West trade, they have asked both the Defense Department and the Navy for assistance, and these agencies are suggesting that the Tobey requests also be channeled through EDAC.

8. It is recommended that this matter be discussed

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with appropriate officials of the National Security Council and the White House legislative staff with the thought that the President may wish to take it up with the Senate leadership in order to limit severely the amount of classified information, particularly from CIA sources, which will be made available to these committees.

Walter L. Fforzheimer
Legislative Counsel

OGC:WLPforzheimer/blc

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Senate Committee on Government
Operations

Permanent Subcommittee on Investigations

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